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20 UNITED STATES DISTRICT COURT
21 FOR THE NORTHERN DISTRICT OF CALIFORNIA
22 SAN FRANCISCO DIVISION

23 AMERICAN FEDERATION OF
24 GOVERNMENT EMPLOYEES, AFL-CIO;
25 AMERICAN FEDERATION OF STATE
26 COUNTY AND MUNICIPAL EMPLOYEES,
27 AFL-CIO; et al.,

28 Plaintiffs,

v.

UNITED STATES OFFICE OF PERSONNEL
MANAGEMENT, et al.,

Defendants.

Case No. 3:25-cv-01780-WHA

**DECLARATION OF SHAWN
PHETTEPLACE**

DECLARATION OF SHAWN PHETTEPLACE

I, Shawn Phetteplace, hereby declare as follows:

1. I am the national campaigns director at Main Street Alliance (“MSA”). I have held that position since 2023, and have been on staff with MSA since 2020. In my role as national campaigns director, I work closely with MSA’s small business members. I make this statement based on personal knowledge and if called as a witness could and would testify competently thereto.

2. MSA is a national network of small businesses, with approximately 30,000 members throughout the United States. MSA helps small business owners realize their full potential as leaders for a just future that prioritizes good jobs, equity, and community through organizing, research, and policy advocacy. MSA also seeks to amplify the voices of its small business membership by sharing their experiences with the aim of creating an economy where all small business owners have an equal opportunity to succeed. MSA is nonpartisan and is a §501(c)(3) organization.

3. MSA has approximately 1410 small business members in California, including more than 70 small businesses in Alameda, Santa Clara, San Francisco, Sonoma, and Contra Costa Counties.

4. MSA’s small business members rely on the U.S. Small Business Administration (“SBA”) for a variety of valuable services that help small businesses succeed. These services include loans, loan guarantees, and grants; disaster relief; assistance in connecting small businesses with government contracting opportunities; and a national network of some 1,000 Small Business Development Centers that provide counseling and training to help entrepreneurs start their own businesses.

5. As of June 2024, according to publicly available data, the SBA had 7,646 employees throughout the United States, more than 800 of whom worked in California.

6. According to news reports and a February 20, 2025 letter from Senator Edward Markey to SBA Administration Kelly Loeffler, hundreds of SBA probationary employees have been terminated since early February. This mass termination has been particularly chaotic, starting with a notice that was distributed to employees erroneously on February 7, 2025, and was rescinded a few days later, only to be followed by new termination notices issued the next day. As Sen. Markey

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1 writes in his letter, these fired employees “include those supporting disaster assistance and oversight
2 of loan programs.” A true and correct copy of this letter, which is available at
3 [https://www.sbc.senate.gov/public/_cache/files/3/7/374bfdd9-b780-47d7-9743-](https://www.sbc.senate.gov/public/_cache/files/3/7/374bfdd9-b780-47d7-9743-ed8b8168cb5e/0BD7EFB3B036856764ADA2230B739ED0F18AFE2214B13FDE703BEC3DA7A8F9C2.sbc-dems-letter-on-sba-mass-firings.pdf)
4 [ed8b8168cb5e/0BD7EFB3B036856764ADA2230B739ED0F18AFE2214B13FDE703BEC3DA7A8](https://www.sbc.senate.gov/public/_cache/files/3/7/374bfdd9-b780-47d7-9743-ed8b8168cb5e/0BD7EFB3B036856764ADA2230B739ED0F18AFE2214B13FDE703BEC3DA7A8F9C2.sbc-dems-letter-on-sba-mass-firings.pdf)
5 [F9C2.sbc-dems-letter-on-sba-mass-firings.pdf](https://www.sbc.senate.gov/public/_cache/files/3/7/374bfdd9-b780-47d7-9743-ed8b8168cb5e/0BD7EFB3B036856764ADA2230B739ED0F18AFE2214B13FDE703BEC3DA7A8F9C2.sbc-dems-letter-on-sba-mass-firings.pdf), is attached hereto as Exhibit 1.

6 7. The loss of SBA staff imperils the services it provides to small businesses, including
7 MSA members. For example, the SBA’s Emergency Injury Disaster Loan (“EIDL”) program
8 provides emergency financial assistance to small businesses in natural disasters, including businesses
9 that have suffered as a result of the January 2025 Los Angeles wildfires and Hurricane Helene in
10 western North Carolina. EIDL loans help small businesses that have suffered substantial economic
11 injury as a result of a natural disaster, resulting in the inability to meet financial obligations and pay
12 their regular and necessary operating expenses. Small businesses can use these loans for working
13 capital and expenses such as the continuation of health care benefits, rent, utilities, and fixed debt
14 payments. This assistance is essential to help keep small businesses afloat. MSA’s members have
15 benefited from this crucial financial assistance, and they are fearful that the chaotic terminations of
16 SBA employees inevitably will make access to that financial assistance slower and less reliable in
17 ongoing and future crises – precisely when the SBA’s support is the most essential to ensure that
18 small businesses can survive until a local economy gets back on its feet.

19 8. One of the SBA’s most essential functions is to provide loan guarantees to small
20 businesses. While local banks often fund the loans themselves, it is the loan guarantees from SBA
21 that often are the only way that small business owners to obtain financing. These are typically the
22 kinds of loans that a commercial lender would consider too risky but for the SBA’s loan guarantees.
23 MSA’s members rely on SBA’s loan guarantees to get their businesses off the ground and help them
24 grow. The process of obtaining loan guarantees can be lengthy and slow at the best of times, but that
25 process has historically been sufficiently reliable that once the process is near completion, small
26 business owners can begin entering into supply and construction contracts with confidence that their
27 financing will available in time to pay those contractors. The termination of large numbers of SBA
28 employees is likely to slow down the process of securing loan guarantees even further, thereby

1 further delaying the contracting process. Small business owners who have already entered into
2 contracts with the expectation of obtaining their loan guarantees are likely to be on the hook for
3 expenses owed to contractors and suppliers without the ability to pay amounts owed. The slowing of
4 loan guarantees is therefore likely to have ripple effects beyond the small businesses that are delayed
5 in obtaining financing, as it affects the cash flow of their contractors, suppliers, and the employees of
6 those entities. A slowdown in SBA loan guarantee work is also likely to deter local banks from
7 providing loans for startup businesses—another ripple effect that will harm local economies and job
8 markets.

9 9. The drastic reduction in the SBA workforce as a result of the probationary employee
10 terminations is also likely to harm MSA members that use the SBA's services to connect with them
11 government contracting opportunities. The loss of SBA employees will inevitably slow down the
12 provision of these services. That means that small businesses will be impaired in their ability to
13 obtain valuable government contracts, with ripple effects in local economies and job markets that
14 could have benefited from those contracts. The dramatic reduction in the SBA workforce is also
15 likely to undermine the effective operation of the Small Business Development Centers, that are
16 embedded in local communities throughout the country, including in several Bay Area counties.
17 These Centers provide business consulting and training to help entrepreneurs launch their businesses.
18 A reduction in their services will inevitably inhibit some entrepreneurs from getting their businesses
19 off the ground.

20
21 I declare under penalty of perjury under the laws of the United States that the foregoing is true
22 and correct. Executed this 22d day of February 2025 in Madison, Wisconsin.



Shawn Phetteplace

EXHIBIT 1

United States Senate

February 20, 2025

The Honorable Kelly Loeffler
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Administrator Loeffler,

Over the past week, the Small Business Administration (SBA) has taken unprecedented personnel actions that have gutted its civil service workforce around the country. This includes the firing of hundreds of SBA employees serving their probationary work period. Yet, SBA has provided us with no direct information about these terminations, including why they were undertaken, the number and identities of fired employees, or which SBA offices were impacted. This lack of transparency — quickly becoming a hallmark of the new Trump administration — is unacceptable. The public has the right to know and understand the reasons for and the scope of these terminations which affect the SBA's ability to carry out its mission on behalf of the more than 30 million small businesses nationwide.

According to reports, on February 7, 2025, termination notices were sent to hundreds of probationary SBA employees across the United States;¹ nearly 90 % of SBA employees are located in duty stations outside its Washington, DC headquarters.² Three days later, on February 10th, the SBA rescinded those notices, claiming they had been sent in error.³ Then, the very next day, those workers were “re-fired” when they again received a termination notice that in fact ended their employment.⁴

Through our own investigation and public reporting, we have learned that the fired employees include those supporting disaster assistance and oversight of loan programs. Some were service-disabled veterans. Summary firing, communicated — and miscommunicated — by email, is not how our country should treat public servants, especially our heroes.

¹ Eleanor Pringle, *Trump's small business department fired staff and said it was an accident — then emailed the next day re-firing them*, FORTUNE (Feb. 12, 2025), <https://fortune.com/2025/02/12/sba-firing-mistake-terminated-confusion-probation-staff/>.

² See U.S. Office of Personnel Management: FedScope, Federal Workforce Data, <https://www.fedscope.opm.gov/> (last visited Feb. 12, 2025), <https://www.fedscope.opm.gov/>.

³ Eli Stokols, *DOGE order triggers firings at SBA of employees prematurely fired Friday*, POLITICO (Feb. 11, 2025), <https://www.politico.com/news/2025/02/11/sba-employees-fired-by-doge-twice-00203750>.

⁴ Eleanor Pringle, *Trump's small business department fired staff and said it was an accident — then emailed the next day re-firing them*, FORTUNE (Feb. 12, 2025), <https://fortune.com/2025/02/12/sba-firing-mistake-terminated-confusion-probation-staff/>.

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Even more concerning, SBA supervisors were not notified of these personnel actions.⁵ And the termination notices sent the same stock language to each probationary employee: “During this probationary or trial period, it has been determined that your continued employment does not promote the efficiency of the service because you have failed to demonstrate fitness for continued federal employment.”⁶ But federal regulations require, at a minimum, that “when an agency decides to terminate an employee serving a probationary or trial period because his work performance or conduct during this period fails to demonstrate his fitness or his qualifications for continued employment,” the agency must convey to the terminated employee in writing its “conclusions as to the inadequacies of [their] performance or conduct.” No effort was made here to comply with that regulatory requirement.⁷ Now these employees— middle class civil servants who were terminated without proper cause — will be forced to use their own financial resources to fight these cases before the Merit Systems Protection Board.

This mass firing was arbitrary and certainly not in the SBA’s best interests. One has to wonder, is the SBA really in charge or is Elon Musk’s Department of Government Efficiency (DOGE) or the Office of Management and Budget (OMB)⁸ leading these efforts? The firings further beg the question why an Acting SBA Administrator was making major personnel changes at the agency and not waiting for guidance from you, a Senate-confirmed Administrator.

The SBA’s efforts to implement President Trump’s “deferred resignations” program have only served to compound the chaos at the agency. On February 11, 2025, the SBA sent an early retirement contract to employees who offered to resign under the program. The contract included a provision that requires employees to waive their rights to bring legal action against the SBA related to the employee’s employment. This language seems to confirm the fears that many federal employment experts have expressed about these deferred resignations: they are part of a broader scheme to trick federal employees into resigning and then stiff them when it comes to following through on pay and benefits.⁹ To protect SBA employees’ rights, we need more insight into how the SBA intends to carry out these deferred resignations.

Also, on February 11, 2025, the President signed an executive order directing agency heads to begin preparations for a large-scale reduction in force (RIF).¹⁰ The order further requires that, within 30 days, federal agencies submit reorganization plans to OMB recommending

⁵ Eli Stokols, *DOGE order triggers firings at SBA of employees prematurely fired Friday*, POLITICO (Feb. 11, 2025), <https://www.politico.com/news/2025/02/11/sba-employees-fired-by-doge-twice-00203750>.

⁶ Eleanor Pringle, *Trump’s small business department fired staff and said it was an accident – then emailed the next day re-firing them*, FORTUNE (Feb. 12, 2025), <https://fortune.com/2025/02/12/sba-firing-mistake-terminated-confusion-probation-staff/>.

⁷ See 5 C.F.R. § 315.804 (2024).

⁸ See OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT, GUIDANCE ON PROBATIONARY PERIODS, ADMINISTRATIVE LEAVE AND DETAILS (2025), <https://www.opm.gov/media/yh3bv2fs/guidance-on-probationary-periods-administrative-leave-and-details-1-20-2025-final.pdf>.

⁹ Erich Wagner & Eric Katz, *Employee groups, Democrats, experts warn feds not to accept ‘deferred resignation’ offer*, GOVERNMENT EXECUTIVE (Jan. 29, 2025), <https://www.govexec.com/workforce/2025/01/employee-groups-democrats-experts-warn-feds-not-accept-deferred-resignation-offer/402599/>.

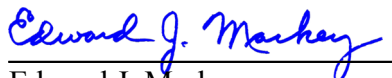
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whether the agency or its subcomponents should be eliminated. The SBA was underfunded and understaffed before President Trump took this executive action, and his continued efforts to terminate SBA employees will only lead to further disruption of critical aid and resources flowing to America's small businesses. President Trump prides himself on his purported success as a businessman. One would think he would try to avoid treating in such a haphazard, unprofessional, and uncompassionate manner an agency whose mission is to help small businesses and entrepreneurs receive the assistance they need to pursue the American dream.

In order to ensure small businesses continue to receive the SBA services they need to thrive, we request the following: First, put an immediate stop to the arbitrary firings of career civil servants and reinstate them immediately, with backpay. Second, have your Deputy Inspector General conduct a thorough review of the SBA's actions to ensure that any termination was lawful. And third, promptly brief the Committee's minority staff on SBA's recent personnel actions and its plan to implement the President's deferred resignations and RIF executive order.

If you have any questions about these requests, please contact the U.S. Senate Committee on Small Business and Entrepreneurship minority staff at 202-224-0507.


Sincerely,



Edward J. Markey
Ranking Member
Senate Committee on Small
Business
and Entrepreneurship



Maria Cantwell
United States Senator



Jeanne Shaheen
United States Senator



Cory A. Booker
United States Senator

¹⁰ Executive Order No. 14,210, Implementing the President's "Department of Government Efficiency" Workforce Optimization (Feb. 11, 2025), [2025-02762.pdf](#).

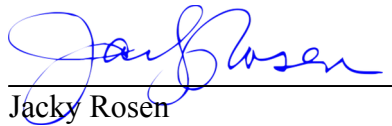
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Christopher A. Coons
United States Senator



Mazie K. Hirono
United States Senator



Jacky Rosen
United States Senator



John Hickenlooper
United States Senator



Adam B. Schiff
United States Senator

cc: Sheldon Shoemaker, Deputy Inspector General, U.S. Small Business Administration